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Cable Highlights

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VENEZUELA: CHAVEZ FLOATS THE BOLIVAR

(U) In response to the fall of the bolivar from 793 per U.S. dollar to 981 and the resulting drop in foreign exchange reserves, President Chavez's decision to float the exchange rate surprised almost everyone. The Chavez administration's one measurable success in the past three years has been a reduction in the rate of inflation from 30 percent to 12. The inflation, which will undoubtedly result from Chavez's decision to float the bolivar, will likely cut into his key support among the poor and hurt his already strained relationship with the Venezuelan Confederation of Labor. (Caracas 380)

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